

Systemic Dissolution Fund to Require "Too Big to Fail" Banks to Clean Up Their Own Mess

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(Washington DC) Today Rep. Luis V. Gutierrez, Chair of the Subcommittee on Financial Institutions and Consumer Credit, will introduce an amendment to the Financial Stability Improvement Act to prevent "too big to fail" banks from relying on taxpayer bailouts ever again. Rep. Gutierrez' proposed creation of a Systemic Dissolution Fund would be paid for by big firms like Goldman Sachs themselves, rather than the taxpayer, in the event of collapse.

"If we think of a failing bank like a totaled car, then the Systemic Dissolution Fund is like a salvage yard where you go to disassemble and sell the parts that still work, not a full auto-body repair shop to get you back on the road, driving erratically all over again," said Rep. Gutierrez.

The fund would serve as an emergency resource for firms that fundamentally cannot be salvaged by their own means, and it would ensure their orderly dissolution. It would be paid for only by firms with assets larger than \$10 billion, according to the potential strains they place on the financial services industry, their assets and liabilities and their activities in the marketplace.

The firms that pose the greatest potential for systemic risk to the system will pay the majority of the costs of the creation of this \$200 billion fund.

"It's simple: we need a plan that says the riskiest firms will pay an assessment proportionate to the risk they pose to the system," said Rep. Gutierrez.

"If a firm has more than \$10 billion in assets and does not pose a significant risk to the system it will not pay much into the creation of this fund. By the same token, small and community banks will not be put on the line for the consequences of large firms taking big risks."

"If my colleagues think the wolves on Wall Street are the most vulnerable among us, then they shouldn't vote for this amendment. But if, like me and like Chairman Frank, they think that those who are losing their pensions, those who are losing their homes and those who are losing their jobs and livelihoods are the most vulnerable, then they should join me in supporting this needed change to the system."

"We will never be able to legislate away the financial crises that continue to burden so many hardworking taxpayers, but we can take steps so that the riskiest financial institutions —and not the taxpayers— pay for the costs of any future crisis."

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